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Washington County Consolidated Communications Agency

EMERGENCY

Comprehensive Annual Financial Report

for the fiscal year ended June 30, 2004

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David M. Austin, Director

Prepared by Tualatin Valley Fire and Rescue - Division of Finance

Debra L. Guzman, Chief Financial Officer
Debbie Vuylsteke, Financial Operations Manager
Jennifer J. Waverly, Accountant



Washington County Consolidated Communications Agency

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Washington County Consolidated Communications Agency
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended June 30, 2004

Table of Contents

	Page
Introductory Section	
Letter of Transmittal	i
Certificate of Achievement for Excellence in Financial Reporting	vii
Board of Commissioners	viii
Budget Committee	ix
Organizational Chart	x
Financial Section	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Assets	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to Statement of Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	16
Notes to the Basic Financial Statements	17
Required Supplementary Information:	
Schedule of Funding Progress:	
Oregon Public Employees Retirement System	28
Supplemental Information:	
Combining Balance Sheet – Nonmajor Governmental Funds	29
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	30
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
System Upgrade Capital Fund	31
Equipment Replacement Fund	32
Facility Maintenance Fund	33
Compensated Absence Fund	34
Other Financial Schedule:	
Participation Fees by Agency	35
Statistical Section	
General Governmental Expenditures by Function – Last Ten Fiscal Years	36
General Governmental Revenues by Source – Last Ten Fiscal Years	37
General Governmental Tax Revenues by Source – Last Ten Fiscal Years	38
Demographic Statistics – Last Ten Fiscal Years	39
Insurance in Force	40
Miscellaneous Statistics	41
Audit Comments and Disclosures Required by State Regulations	
Comments and Disclosures	43

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Introductory Section

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Washington County Consolidated Communications Agency

October 26, 2004

Chair Forrest Soth and Members of the Board of Commissioners

We are pleased to submit the Comprehensive Annual Financial Report of Washington County Consolidated Communications Agency (WCCCA or Agency) for the fiscal year ended June 30, 2004. The responsibility for the completeness, fairness, and accuracy of the data presented and all accompanying disclosures rests with the Agency. To provide a reasonable basis for making these representations, the Agency's management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Agency's financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Because the cost of internal controls should not outweigh their benefits, the Agency's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

This Comprehensive Annual Financial Report is presented in four sections: Introductory, Financial, Statistical, and Audit Comments and Disclosures.

The *Introductory Section* includes this transmittal letter, a list of principal officials, the Agency's organizational chart as well as budget committee members.

The *Financial Section* includes the independent auditor's report, Management's Discussion and Analysis, basic financial statements for the entity as a whole, notes to the basic financial statements, required supplemental information and supplemental information.

The *Statistical Section* includes selected financial and demographic information, generally presented on a multi-year basis.

The *Audit Comments and Disclosures Section* contains related comments and disclosures required by the Minimum Standards for Audits of Oregon Municipal Corporations.

The Agency is a local government established to provide countywide dispatch operations for 9-1-1 call answering and all fire, emergency medical services (EMS), and law enforcement dispatching. This report has been prepared in accordance with accounting principles generally accepted in the United States of America and follows guidelines recommended by the Government Finance Officers Association of the United States and Canada.

The Reporting Entity and Its Services

The Agency is an Oregon Revised Statutes (ORS) Chapter 190 Intergovernmental Agency established to provide 9-1-1 service and public safety communications for police, fire, and EMS in Washington County, Oregon. The Agency operates under the authority of ORS 190.010 and is established as a 9-1-1 jurisdiction in accordance with ORS 401.710 to 401.790. A Board of Commissioners comprised of one representative from each participating jurisdiction governs the Agency.

The Board of Commissioners is responsible for the appointment of the Agency's Director, strategic planning, establishment of Agency service levels and performance standards, adoption of the annual budget, and approval of all contracts over \$50,000.

The Chief Executive Officers (CEO) Board's function is to provide oversight of and assistance to the Director in Agency operational matters; consider and make recommendations to the full Board on budgetary issues, contracts up to \$50,000, salary levels, and labor negotiations; approve policies and strategies to meet established Agency service levels; serve as the Local Contract Review Board; and provide for an annual audit of the Agency's finances.

The Technical Advisory Committee (TAC) was established to provide advice and counsel in matters regarding standard operating procedures and Agency operation. Each member agency has a user representative on the Committee.

WCCCA's Board of Commissioners has established the Agency's mission statement, which reflects WCCCA's commitment to providing quality services to all of its customers. The mission statement reads, "*WCCCA is committed to providing timely, efficient and compassionate communication services to all citizens through innovation, employee excellence and partnerships with public-safety providers.*" The strategic goals for WCCCA are to:

- 1) Maintain and Improve Performance levels for Call Answering and Radio Dispatch Services
- 2) Maximize Utilization of Existing Resources
- 3) Ensure Financial Stability
- 4) Ensure Preparedness for Catastrophic Events
- 5) Seek Efficiencies through Cooperative Initiatives
- 6) Promote Craftsmanship and Pride Throughout the Organization
- 7) Develop and Foster a Workforce which Honors and Respects the Diversity and Contributions of One Another Including the Community We Serve.

In November 2000, voters passed a countywide public safety levy, which included \$13.4 million in funding to upgrade WCCCA's facility, data systems, and the radio system. The radio system upgrade is a conversion to Smart Zone and further enhances coverage by adding sites. The Smart Zone system allows emergency services personnel to travel throughout the region without adjusting their radio to maintain contact with the communications center. The Smart Zone Controller, which is the centerpiece of the system upgrade, was installed in 2001 and accommodates a partnership with Clackamas County to expand radio system coverage and share 800 megahertz (MHz) system capabilities. Facility enhancements included a complete redesign of the dispatch consoles. The new consoles, installed in April 2002, are both more ergonomically and technologically advanced, and allowed for a new console configuration that greatly increases efficiency in dispatch operations. Other facility enhancements included upgrades to the Technical Services shop and building systems, such as heating and cooling.

WCCCA continues to contract with Metro, a regional government agency, for access to surrounding counties' data and graphic interface system (GIS) programming specialists. All of WCCCA's mapping information is stored and accessed via Metro's internet site, allowing participating agencies to access and print maps 24 hours a day.

These partnerships and system enhancements have continued to improve operating efficiencies on a regional basis by sharing dispatch resources and have provided a level of technological enhancements throughout the county that would not otherwise be possible.

Economic Condition and Outlook

The Agency dispatches emergency services personnel to an area encompassing over 900 square miles. The area includes all of Washington County, a portion of northwest Clackamas County, and portions of the western area of Multnomah County contiguous with the boundaries of Tualatin Valley Fire and Rescue.

Washington County continues to experience one of the highest rates of population growth in the State of Oregon. The County's population includes two of the state's largest cities, Hillsboro and Beaverton. There is

a direct correlation in the number of public safety calls and the amount of Agency dispatch services required, relative to the population served. We continue to work proactively and cooperatively with other governments and regional planning groups to ensure the continued ability to serve this future population.

This area serves as the home to internationally recognized companies such as Nike, Mentor Graphics, In Focus and Tektronix. Top metropolitan area employers include Intel, Fred Meyer, Inc., Verizon Northwest, Portland General Electric, IBM, Kaiser Permanente, Providence Health Systems, U.S. Bancorp, Freightliner, Tektronix, Nike and Maxim Integrated Products, among others. The area has attracted significant retail and wholesale marketers such as Costco Wholesale Clubs, Dayton-Hudson Stores, and Rite-Aid Drug Stores, and companies such as Pacific Realty Associates have continued development of acres of land adjacent to the Sunset Highway. Nike's world headquarters complex houses thousands of employees in office buildings bordering a seven-acre man-made lake and five acres of wetlands. Intel has continued to invest in multi-million dollar facility expansions to manufacture state-of-the-art computer chips, largely in the City of Hillsboro.

As an ORS 190 organization, user fees from the participating jurisdictions fund the Agency, along with State of Oregon levied 9-1-1 excise taxes. The 9-1-1 excise tax is a state-mandated tax of 75 cents per month levied on all telephone users, including cellular phone lines, which have access to 9-1-1. Revenues from this excise tax have been increasing due to the County's population growth, which increases the number of phone devices, which are levied the 9-1-1 excise tax. During a special session of the legislature in 2002, the sunset for the 9-1-1 tax was extended another 5 years to June, 2008. While this provides some stability as a source of revenue, the weak economy, and the resulting potential for further legislative action, is rendering it difficult to accurately predict prospective 9-1-1 tax revenues.

As the economy slowly stabilizes, WCCCA has experienced some economic repercussions through our member agencies. Because member agencies are municipalities and districts supported by property taxes, the Agency must respond to their budgetary limitations and seek to minimize user agency fees through the effective management of resources into the future.

Major Initiatives

Agency Service Efforts and Accomplishments

The Agency has continued in its efforts to reform employment practices at WCCCA. Staff has completed extensive work to address employment policy issues, as well as other organizational development issues. These organizational development issues have addressed workload and staffing levels, management information and reporting, and service levels to WCCCA's user agencies and the community. These committees, which include Employee Resolutions, Quality Improvement, Staffing, and Training committees, have made great progress so far, and we look forward to their continued involvement in making positive changes at WCCCA over the next year.

After experiencing difficulties in retaining newly hired dispatchers, the Agency has undergone an extensive review of the dispatcher recruitment process this year. Staff is hopeful that the changes made will improve the quality and suitability of dispatchers hired. Actual staffing levels reduced slightly this year, for a total of 54 dispatchers out of a budgeted 57.5 full-time employees.

Staff has continued focus on the planning and implementation of the public safety levy supported projects. Staff continued the process of planning and building the radio system infrastructure included in the levy. After extensive research, staff identified the radio tower sites and configurations that would provide optimum radio coverage for user agencies, and began the acquisition process for those sites. Staff has also successfully renegotiated most of the leases for existing tower sites.

WCCCA staff continues to support the Clackamas County 800 MHz radio system, both technologically and operationally. The sites in Clackamas County provide direct benefit to the eastern portion of Washington County through better coverage in the cities of Beaverton, Tigard and Tualatin as well as those areas served by Tualatin Valley Fire and Rescue and the Washington County Sheriff. Consequently, this unique partnership has significantly reduced the amount of build out required by WCCCA to adequately serve these areas for our users. The Intergovernmental Agreement was revised to allow Clackamas County public safety

users access to the new WCCCA site located in Tigard. In exchange for this access, Clackamas County has donated approximately \$73,000 in equipment and has agreed to pay 50% of the on-going operating costs of the site. Interoperability between all metropolitan counties has also been enhanced.

During fiscal year 2003-2004, WCCCA was successful in a grant application from Homeland Security funds. The grant award enabled WCCCA to enhance radio system capacity and interoperability by adding channel switching equipment, procure a cache of portable radios to be distributed to users in the event of an emergency, and build a mobile repeater unit that can be placed anywhere in the county to replace or enhance the existing radio sites in the event of a site failure. WCCCA was also successful in another grant application for Homeland Security funds in the 2004-2005 grant period. This award will enable WCCCA to improve security at the facility and at tower sites, as well as on the Agency's computer and wireless networks. Additionally, this award will fund software to better track and report on resources in the field, and will provide a vehicle to tow the mobile repeater unit procured in the 2003-2004 Homeland Security grant.

Agency staff continued an active role in the Urban Area Strategic Initiative, helping to form a consortium of 7 communications centers in the metropolitan region. The consortium will utilize \$1.1 million in 2003 grant funds to develop and implement a solution for CAD to CAD interoperability among the communications centers in the region. This will improve the centers' ability to respond in the event of a regional emergency. This consortium will also utilize \$1.137 million in 2004 grant funds to further improve the regional system by developing a solution for voice radio interoperability between the local responders and state or federal agencies.

For the Year and For the Future

WCCCA has been very active in upgrading technology to better serve its users and citizens. This year, staff has been working with user agencies to identify and meet the federal requirements for encryption of radio transmissions. Additionally, staff will be working with the Board and user agencies to determine the feasibility of implementing an Automatic Vehicle Locator system earlier than anticipated. WCCCA will continue to serve the diverse technological needs of its users in Washington County over the next year.

Another primary focus in the next year will be the implementation of the remainder of the levy project. Radio tower site acquisition and construction will continue, as well as technology upgrades to several existing sites for expanded functionality. These upgrades are expected to improve radio coverage for our user agencies on a daily basis, as well as improve interoperability with other radio systems in the region to better prepare for any potential emergency events. As the major capital projects are completed and the remaining funding levels become better known, staff will work with user agencies and Board members to adjust the priorities of the levy projects over the next year.

The WCCCA Board will continue to consider changes to the governance structure of the Agency over the next year. In cooperation with the independent Chiefs' councils for both law enforcement and fire defense, a recommendation will be developed for changes to the governance and committee structure. Staff will continue to support WCCCA Board members in efforts to better define and communicate the roles of Agency committees and members in order to improve the efficiency with which the Agency conducts business.

Over the past several years, WCCCA has been heavily involved with legislative efforts to stabilize and ensure continued 9-1-1 funding and plans to continue a leadership role in this critical effort. The potential effects of loss of this funding could have serious service delivery implications for agencies around the state, including WCCCA, as there is no other mechanism available with which organizations can fund the program. While the funding has stabilized at the moment, legislative action could change that at any time. For this reason, staff plans to keep informed of any potential changes or new developments regarding this issue and develop a coordinated strategy with user agencies, local government and state associations for upcoming legislative sessions.

WCCCA has experienced many changes over the past year, and more are expected in the upcoming year. To continue the Agency's focus on the future, the Board held a planning session in October, 2004, to address the financial stability and strategic future of WCCCA. Staff will be working hard to implement the Board's priorities in the next year. With the continued support of our community, WCCCA will remain a vital link in the public safety system, providing fast, efficient, and compassionate services to all citizens.

Cash Management

The Agency invests available cash in the Oregon State Treasury's Local Government Investment Pool.

Risk Management

The Agency has purchased its general and auto liability and workers' compensation insurance policies through City County Insurance Services. City County is a trust established by the League of Oregon Cities and the Association of Oregon Counties to provide risk management services including insurance and loss control to its member entities.

Coverage and rates are guaranteed for a three-year period to provide stability in the governmental budgeting process. The City County pools retain only certain portions of risk, purchasing commercial reinsurance to cover losses above the retention levels. Currently the retention levels are \$500,000 for liability, \$50,000 for property and \$250,000 for workers' compensation coverage. The Agency has purchased additional coverage for general liability up to \$2,000,000 per occurrence. City County also provides comprehensive risk management and loss control services which are integral in maintaining the financial integrity of the pools. The Agency purchases property, boiler and machinery insurance coverage for the dispatch facility and remote radio transmitting sites. The Agency's loss experience in all areas has been excellent. Equipment and facilities are well maintained. Losses are reviewed by management, and steps are recommended to reduce future potential losses. Workers' compensation losses have also been maintained at a low level.

Other Information

Independent Audit

State of Oregon Revised Statutes, ORS 297.405 to 297.555, require an annual audit of the fiscal affairs of the Agency by independent public accountants selected by the Board of Commissioners. This requirement has been complied with and the auditor's opinion has been included in this report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Washington County Consolidated Communications Agency for its comprehensive annual financial report for the fiscal year ended June 30, 2003. This is the eighth year that the Agency has received this prestigious award. In order to be awarded a Certificate of Achievement, a public agency needs to publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that this current comprehensive annual financial report meets the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition to the Certificate of Achievement for Excellence in Financial Reporting, WCCCA also received the GFOA Distinguished Budget Presentation Award for the fiscal year beginning July 1, 2004. In order to be awarded a Distinguished Budget Presentation Award, a public agency must publish an effective and understandable financial plan for the upcoming fiscal year and beyond. This is the second year that the Agency has applied for and received this prestigious award. WCCCA will continue efforts to develop a viable financial plan for the future of the Agency through the budget process.

Acknowledgments

We express our sincere gratitude to the personnel of the Finance Division at Tualatin Valley Fire and Rescue who assisted and contributed to this report, and to the administrative staff at WCCCA for their diligent work throughout the year. We also would like to extend our appreciation to the Board of Commissioners, the managers, employees and citizens of the Agency whose continuing support is vital to the financial and community affairs of the Agency.

Respectfully submitted,

David M. Austin
Director

Debra L. Guzman, CPA
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Washington County Consolidated
Communications Agency,
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Washington County Consolidated Communications Agency

Board of Commissioners

June 30, 2004

Forrest Soth, Chair
City of Beaverton
4890 SW Menlo
Beaverton, OR 97005

Gary Carr
Gaston Fire District
PO Box 729
Gaston, OR 97119

Robert Massar
City of Hillsboro
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Hillsboro, OR 97123

Bob Wyffels, Director
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Tigard, OR 97224

Brian Coussens
Banks Fire Dist. #13
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Banks, OR 97106

Bill Monahan
City of Tigard
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Tigard, OR 97223

Acting Chief
Gaston Police Department
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Gaston, OR 97119

Chuck Fessler
King City Police Dept
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King City, OR 97224

Robert Orlowski
City of Banks
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Banks, OR 97106

Chris Asanovic
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Cornelius, OR 97113

Dean Gibbs
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Durham, OR 97224

Robert Mills
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Forest Grove, OR 97116

Eamon Bishop
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Sherwood, OR 97140

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Paul Rubenstein
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Robert Kindel, Jr.
City of North Plains
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North Plains, OR 97133

Gary Wells
Washington County Fire Dist #2
20665 SW Blanton St.
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Administrative Offices

P.O. Box 6375
Beaverton, OR 97007

Registered Agent

None

Legal Counsel

Bullivant, Houser, Bailey
300 Pioneer Tower
888 SW Fifth Avenue
Portland, OR 97204

Washington County Consolidated Communications Agency

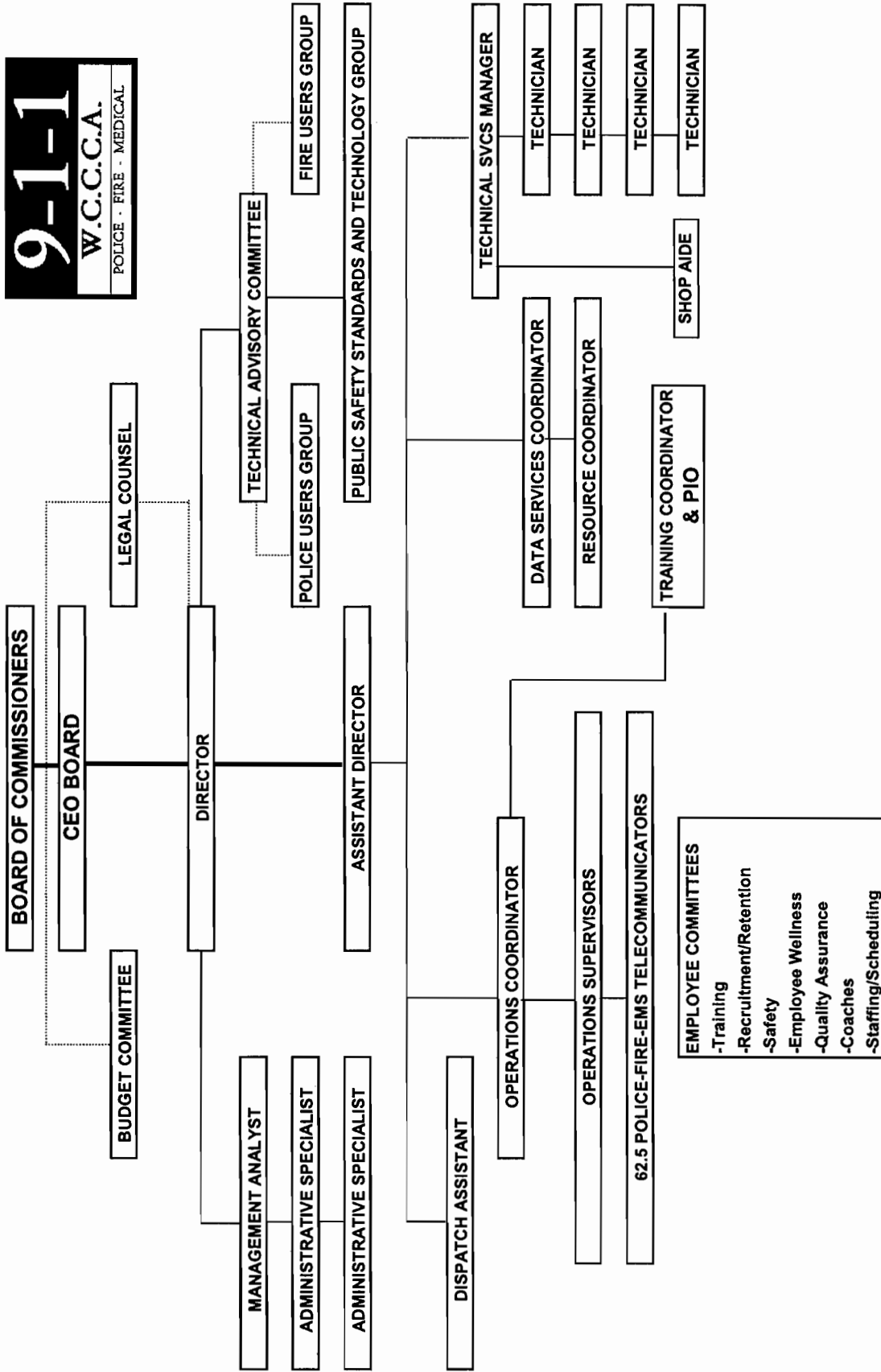
Budget Committee

June 30, 2004

Name	Jurisdiction
Acting Chief	Gaston Fire District
Mike Anderson	City of Forest Grove/Fire District
Phil Anderson	Gaston Fire District
Chris Asanovic	Cornelius Fire District
Eamon Bishop	City of Sherwood
Charles Cameron	Washington County
Gary Carr	Gaston Fire District
Brian Coussens	Banks Fire District No. 13
Patrick Duffy	City of Beaverton
Chuck Fessler	King City Police Department
Dean Gibbs	City of Durham
Jay Harris	City of Tualatin
Robert Kindel, Jr.	City of North Plains
Sue Lamb	City of Tualatin
Robert Massar	City of Hillsboro
Bill Monahan	City of Tigard
Michael Mudrow	Tualatin Valley Fire and Rescue
Robert Orłowski	City of Banks
Vergie Ries	City of Forest Grove/Fire District
Bob Rohlf	City of Tigard
Paul Rubenstein	City of Cornelius
Forrest Soth	City of Beaverton
Gary Wells	Washington County Fire District No. 2
Bob Wyffels	Tualatin Valley Fire and Rescue

David M. Austin
Director/Budget Officer

Washington County Consolidated Communications Agency Organizational Chart



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Financial Section

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

-
- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
 - (503) 620-2632 • FAX (503) 684-7523

October 26, 2004

To the Board of Commissioners
Washington County Consolidated Communications Agency
Washington County, Oregon

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the of Washington County Consolidated Communications Agency, Washington County, Oregon, as of and for the year ended June 30, 2004, which collectively comprise the Agency's basic financial statements as listed in the Table of Contents.. The basic financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the basic financial statements referred to above present fairly, in all material respects, the financial position of the Washington County Consolidated Communications Agency, Washington County, Oregon, at June 30, 2004 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the financial statements, Washington County Consolidated Communications Agency adopted the provisions of Governmental Accounting Standards Board Statement Number 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as of July 1, 2003.

The Management's Discussion and Analysis, as listed in the Table of Contents, is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Washington County Consolidated Communications Agency's basic financial statements. The Supplementary Information, including budgetary comparison schedules (which are required supplementary information for major governmental funds) as listed in the Table of Contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pauly, Rogers and Co., P.C.
PAULY, ROGERS AND CO., P.C.

Management's Discussion and Analysis

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Washington County Consolidated Communications Agency Management's Discussion and Analysis For the Year Ended June 30, 2004

As management of Washington County Consolidated Communications Agency (WCCCA or Agency), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vi of this report.

Financial Highlights

- In the government-wide financial statements, the assets of the Agency exceeded its liabilities at June 30, 2004 by \$9,725,525. Of this amount, \$4,995,156 represents the Agency's investment in capital assets, \$2,403,356 is restricted for facility improvements and equipment, \$17,818 is restricted for compensated absences and the balance of \$2,309,195 will be used to meet the Agency's ongoing obligations to participating governments and creditors.
- The Agency's total net assets increased by \$2,056,738 primarily from levy proceeds received from Washington County for facility improvements and capital equipment. The proceeds from this bond are the intergovernmental transfer in the System Upgrade Fund.
- As of June 30, 2004 the Agency's governmental funds reported combined ending fund balances of \$4,932,561 a decrease of \$355,639 in comparison with the prior year. The decrease in fund balance went towards capital purchases for the Agency.
- At June 30, 2004 unreserved fund balance for the General Fund was \$1,702,637 or 25 percent of total general fund expenditures and other financing uses.
- By ORS law, the Agency is not allowed to incur debt. Washington County, who currently owns the facility, did a local option levy on the Agency's behalf for facility improvements and for capital equipment and furniture for the facility.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business, and include the *Statement of Net Assets* and the *Statement of Activities*.

The *Statement of Net Assets* presents information on all of the Agency's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The *Statement of Activities* presents information showing how the Agency's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

**Washington County Consolidated Communications Agency
Management's Discussion and Analysis
For the Year Ended June 30, 2004**

In the government-wide financial statements, the Agency's activities are shown in one category: *governmental activities*. The governmental activities of the Agency include dispatch operations and emergency communications, and are primarily supported through 9-1-1 taxes and charges for services to other governments.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements

The *fund financial statements* provide more detailed information about the Agency's funds, focusing on its most significant or "major" funds. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Agency are governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund *Balance Sheet* and *Statement of Revenues, Expenditures, and Changes in Fund Balances* are reconciled to the government-wide *Statement of Net Assets* and *Statement of Activities*.

The Agency maintains five individual governmental funds. Information is presented separately in the governmental fund *Balance Sheet* and *Statement of Revenues, Expenditures, and Changes in Fund Balances* for the General Fund and the System Upgrade Capital Fund, both of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided as Supplemental Information.

Additionally, the Agency adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget on page 16.

The basic governmental fund financial statements can be found on pages 12 and 14 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 17-27 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Agency's obligation to provide retirement benefits to its current and past employees. Required supplementary information can be found on page 28 of this report.

**Washington County Consolidated Communications Agency
Management's Discussion and Analysis
For the Year Ended June 30, 2004**

The combining statements referred to earlier in connection with nonmajor governmental funds is presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 29 and 30 of this report.

Government-wide Financial Analysis

Since this is the first year to report governmental activities according to the new reporting model, comparison with prior years is not possible. In future years, a comparative analysis discussing and analyzing significant differences will be provided.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by \$9,725,525 at June 30, 2004.

The largest portion of the Agency's assets (51 percent) reflects its investment in capital assets (e.g. building and equipment). The Agency uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. The remaining assets consist mainly of cash and cash equivalents and 9-1-1 taxes receivable which are used to meet the Agency's ongoing obligations to its participating governments.

Net Assets at June 30, 2004	Governmental Activities
Current and other assets	\$ 7,769,434
Capital assets	4,995,156
Total assets	<u>12,764,590</u>
Current liabilities	<u>3,039,065</u>
Total liabilities	<u>3,039,065</u>
Net assets:	
Invested in capital assets, net of related debt	4,995,156
Restricted for capital projects	2,403,356
Restricted for compensated absences	17,818
Unrestricted	<u>2,309,195</u>
Total net assets	<u><u>\$ 9,725,525</u></u>

The Agency's largest liability (84 percent) is for accounts payable. Current liabilities of the Agency consist of accounts payable, salaries and benefits payable, and compensated absences liability.

A large portion of the Agency's net assets (39 percent) reflects its investment in capital assets (e.g. buildings and improvements and furniture, fixtures and communication equipment). The Agency uses these capital assets to provide services to the participating governments and consequently are not available for future spending.

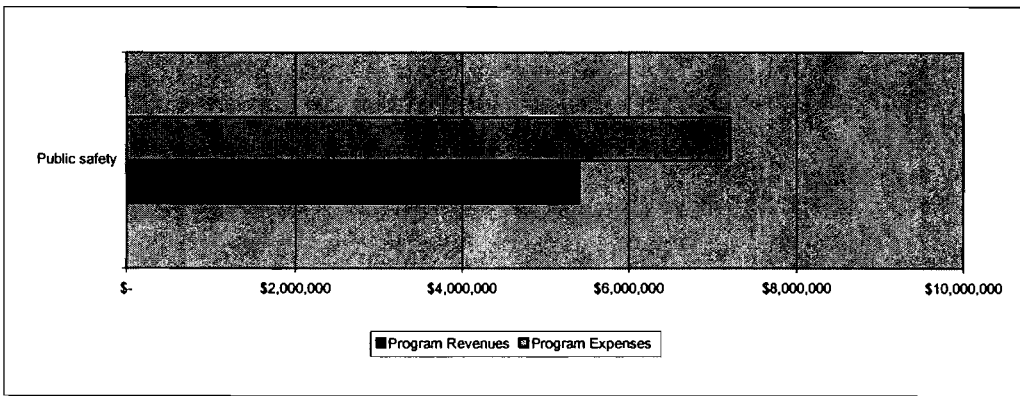
Governmental activities. As with the preceding statement, this is the first year to report governmental activities on the new standard and comparison to the prior year is not possible. In future years, a comparative analysis discussing and analyzing significant differences will be provided. Governmental activities increased the Agency's net assets in the current year by \$2,056,738.

**Washington County Consolidated Communications Agency
Management's Discussion and Analysis
For the Year Ended June 30, 2004**

This phase-in of increased staffing as well as an increase in the purchase of facility improvements, technology enhancements, and capital equipment contribute to the 2004 increase in net assets.

Changes in Net Assets		Governmental
For the year ended June 30,		Activities
2004		
Revenue:		
Program revenues		
Charges for services	\$	5,275,929
Operating grants and contributions		134,517
General revenues:		
9-1-1 taxes		2,206,420
Earnings on investments		80,683
Proceeds from levy		1,510,264
Miscellaneous		54,894
Total revenues		<u>9,262,707</u>
Expenses:		
Public safety-dispatch service		<u>7,205,969</u>
Total expenses		<u>7,205,969</u>
Increase in net assets		2,056,738
Net assets - July 1, 2003		<u>7,668,787</u>
Net assets - June 30, 2004	\$	<u><u>9,725,525</u></u>

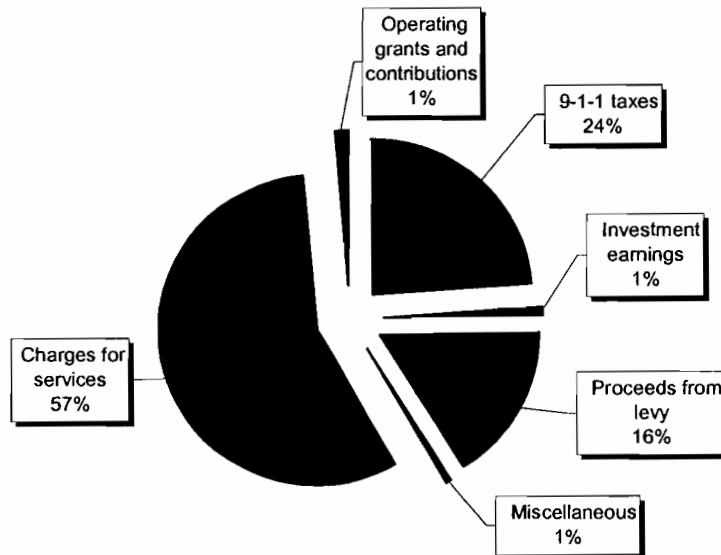
Expenses and Program Revenues – Governmental Activities



**Washington County Consolidated Communications Agency
Management's Discussion and Analysis
For the Year Ended June 30, 2004**

Revenues by Source – Governmental Activities

Total Revenues



Financial Analysis of the Government's Funds

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Agency's *governmental funds* is to provide information on short-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Agency's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2004, the Agency's governmental funds reported combined ending fund balances of \$4,932,561, a decrease of \$355,639 in comparison with the prior year. The majority of this total amount (99.6 percent) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is reserved for compensated absences.

General Fund. The General Fund is the chief operating fund of the Agency. As of June 30, 2004 the entire General Fund balance was unreserved at \$1,702,637. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 25 percent of total general fund expenditures and total fund balance also represents 25 percent of that same amount.

The fund balance of the Agency's General Fund increased by \$783,541 during the current fiscal year. Key factors in this growth are expenditures for public safety program and capital outlay being less than budgeted.

System Upgrade Fund. The System Upgrade Fund accounts for the accumulation of resources for construction costs of the existing facility, as well as significant capital outlays for building equipment and furniture. As of June 30, 2004, the ending fund balance of the System Upgrade Fund was \$2,403,356, a decrease of \$1,098,003 during the current fiscal year. This decrease is due mainly to building and construction of the radio system infrastructure, as well as technology upgrades to several existing sites for expanded functionality.

**Washington County Consolidated Communications Agency
Management's Discussion and Analysis
For the Year Ended June 30, 2004**

General Fund Budgetary Highlights

The Board adopted one supplemental budget to the adopted budget for June 30, 2004. The supplemental budget was adopted to reflect the proceeds of a grant award under the State Domestic Preparedness Equipment Program. This grant award was allocated for communication equipment. During the year, all General Fund expenditures were within budget.

Capital Asset

The Agency's investment in capital assets includes buildings and improvements, vehicles, furniture, fixtures and equipment and work in progress. As of June 30, 2004 the Agency had invested \$4,995,156 in capital assets, net of depreciation, as shown in the following table:

Capital Assets (net of depreciation) June 30, 2004	Governmental Activities
Buildings and improvements	\$ 843,361
Vehicles	13,314
Furniture, fixtures and equipmen	1,555,890
Work in progress	2,582,591
Total net assets	<u>\$ 4,995,156</u>

During the year, the Agency's investment in capital assets increased by \$2,436,019 mainly due to the addition of the Motorola Radio System. The major capital assets events for the year include radio tower site construction, technology upgrades to several existing sites, and radio system upgrades.

Additional information on the Agency's capital assets can be found in the notes to the financial statements on pages 20 and 23 of this report.

Economic Factors and Next Year's Budget

The Agency's 9-1-1 revenues have a direct correlation with population growth since 9-1-1 revenue is based on the number of phones the population carries. Continued population growth in the area is taking place, and while the Agency has lowered its growth rates for forecasting and future budget purposes, we still anticipate slightly increased 9-1-1 revenues in future years based upon continued population growth.

The state's pension system for its public employees, PERS, has been under significant legislative and public scrutiny as the costs of the benefits have become higher than acceptable and are projected to continue to significantly increase. This pension system has been subject to significant legislative reform as well as changes mandated from court rulings. These reforms have served to slow down the rate of increase in PERS contribution rates for employers for now, but the majority are being contested through the court system creating additional uncertainty for PERS costs in the future. The 2004-05 budget and future forecasts reflect these significant factors.

Requests for Information

This financial report is designed to provide a general overview of Washington County Consolidated Communications Agency's finances for all those with an interest in the Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information

**Washington County Consolidated Communications Agency
Management's Discussion and Analysis
For the Year Ended June 30, 2004**

should be addressed to the Chief Financial Officer, Washington County Consolidated Communications Agency, 20665 SW Blanton Street, Aloha, Oregon, 97007.

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Basic Financial Statements

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Washington County Consolidated Communications Agency
Statement of Net Assets
June 30, 2004

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 7,120,960
Receivables, net:	
9-1-1 taxes receivable	610,448
Accounts receivable	38,026
Capital assets, net	4,995,156
Total assets	12,764,590
LIABILITIES	
Accounts payable	2,554,072
Accrued salaries and benefits payable	196,047
Accrued compensated absences	288,946
Total liabilities	3,039,065
NET ASSETS	
Invested in capital assets	4,995,156
Restricted for:	
Facility improvements and equipment	2,403,356
Compensated absences	17,818
Unrestricted	2,309,195
Total net assets	\$ 9,725,525

The notes to the basic financial statements are an integral part of this statement.

Washington County Consolidated Communications Agency
Statement of Activities
For the Year Ended June 30, 2004

	Governmental Activities
Expenses:	
Public safety - dispatch service:	\$ 7,205,969
Total program expenses	<u>7,205,969</u>
 Program revenues:	
Charges for services	5,275,929
Operating grants and contributions	134,517
Total program revenues	<u>5,410,446</u>
Net program expenses	<u>1,795,523</u>
 General revenues:	
9-1-1 taxes	2,206,420
Investment earnings	80,683
Proceeds from Levy	1,510,264
Miscellaneous	54,894
Total general revenues	<u>3,852,261</u>
 Change in net assets	2,056,738
 Net assets, July 1, 2003	<u>7,668,787</u>
 Net assets, June 30, 2004	<u>\$ 9,725,525</u>

The notes to the basic financial statements are an integral part of this statement.

Washington County Consolidated Communications Agency
Balance Sheet
Governmental Funds
June 30, 2004

	General Fund	System Upgrade Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,278,952	\$ 4,992,872	\$ 849,136	\$ 7,120,960
Receivables:				
9-1-1 taxes receivable	610,448			610,448
Accounts receivable	36,630		1,396	38,026
Due from other funds	167,766			167,766
Total assets	<u>\$ 2,093,796</u>	<u>\$ 4,992,872</u>	<u>\$ 850,532</u>	<u>\$ 7,937,200</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 108,358	\$ 2,440,323	\$ 5,391	\$ 2,554,072
Accrued salaries and benefits payable	196,047			196,047
Accrued compensated absences	48,856			48,856
Due to other funds		149,193	18,573	167,766
Deferred revenue	37,898			37,898
Total liabilities	<u>391,159</u>	<u>2,589,516</u>	<u>23,964</u>	<u>3,004,639</u>
Fund balances:				
Reserved for compensated absences			17,818	17,818
Unreserved, reported in:				
General fund	1,702,637			1,702,637
Special revenue funds			808,750	808,750
Capital projects funds		2,403,356		2,403,356
Total fund balances	<u>1,702,637</u>	<u>2,403,356</u>	<u>826,568</u>	<u>4,932,561</u>
Total liabilities and fund balances	<u>\$ 2,093,796</u>	<u>\$ 4,992,872</u>	<u>\$ 850,532</u>	<u>\$ 7,937,200</u>

The notes to the basic financial statements are an integral part of this statement.

Washington County Consolidated Communications Agency
Reconciliation of Governmental Funds
Balance Sheet to Statement of Net Assets
For the Year Ended June 30, 2004

Total fund balances		\$ 4,932,561
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost	\$ 5,453,422	
Accumulated depreciation	<u>(458,266)</u>	4,995,156
A portion of the 9-1-1 taxes receivable are collected after year-end, but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds.		
		27,376
A portion of the accounts receivable are collected after year-end but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds.		
		10,522
The amount of compensated absences liability that will not be paid from resources of the current year's operations is not reported as a fund liability of the governmental funds		
		(240,090)
 Total net assets		 <u><u>\$ 9,725,525</u></u>

The notes to the basic financial statements are an integral part of this statement.

Washington County Consolidated Communications Agency
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004

	<u>General Fund</u>	<u>System Upgrade Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 2,179,044			\$ 2,179,044
Interest	13,884	\$ 55,791	\$ 11,008	80,683
Charges for services	5,328,466			5,328,466
Grants	134,517			134,517
Miscellaneous	38,209	16,685		54,894
Total revenues	<u>7,694,120</u>	<u>72,476</u>	<u>11,008</u>	<u>7,777,604</u>
EXPENDITURES				
Current				
Public safety	6,617,742	54,868	32,840	6,705,450
Capital outlay	168,592	2,750,120	19,345	2,938,057
Total expenditures	<u>6,786,334</u>	<u>2,804,988</u>	<u>52,185</u>	<u>9,643,507</u>
Excess (deficiency) of revenues over (under) expenditures	<u>907,786</u>	<u>(2,732,512)</u>	<u>(41,177)</u>	<u>(1,865,903)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Levy		1,510,264		1,510,264
Transfers in		124,245		124,245
Transfers out	(124,245)			(124,245)
Total other financing sources (uses)	<u>(124,245)</u>	<u>1,634,509</u>		<u>1,510,264</u>
Net change in fund balances	<u>783,541</u>	<u>(1,098,003)</u>	<u>(41,177)</u>	<u>(355,639)</u>
Fund balances - July 1, 2003	919,096	3,501,359	867,745	5,288,200
Fund balances - June 30, 2004	<u>\$ 1,702,637</u>	<u>\$ 2,403,356</u>	<u>\$ 826,568</u>	<u>\$ 4,932,561</u>

The notes to the basic financial statements are an integral part of this statement.

Washington County Consolidated Communications Agency
Reconciliation of Statement of Revenues, Expenditures, and
Changes in Fund Balances to Statement of Activities
For the Year Ended June 30, 2004

Net change in fund balances	\$ (355,639)
 The change in net assets in the Statement of Activities is different because:	
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$2,681,174) exceeds depreciation expense (\$245,155).	2,436,019
9-1-1 taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities property taxes are recognized as revenue when levied.	27,376
Accounts receivable that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds.	(52,537)
Compensated absences are recognized as an expenditure in the governmental funds when they are determined to be payable from current financial resources. In the Statement of Activities, compensated absences are recognized as an expenditure when earned.	<u>1,519</u>
Change in net assets	<u><u>\$ 2,056,738</u></u>

The notes to the basic financial statements are an integral part of this statement.

Washington County Consolidated Communications Agency
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,905,862	\$ 1,905,862	\$ 2,179,044	\$ 273,182
Interest	15,821	15,821	13,884	(1,937)
Charges for services	5,181,707	5,181,707	5,328,466	146,759
Grants		741,925	134,517	(607,408)
Miscellaneous	83,300	83,300	38,209	(45,091)
Total revenues	<u>7,186,690</u>	<u>7,928,615</u>	<u>7,694,120</u>	<u>(234,495)</u>
EXPENDITURES				
Current				
Public safety	7,226,780	7,210,780	6,617,742	593,038
Capital outlay	24,000	781,925	168,592	613,333
Operating contingency	411,665	411,665		411,665
Total expenditures	<u>7,662,445</u>	<u>8,404,370</u>	<u>6,786,334</u>	<u>1,618,036</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(475,755)</u>	<u>(475,755)</u>	<u>907,786</u>	<u>1,383,541</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(124,245)	(124,245)	(124,245)	
Total other financing sources (uses)	<u>(124,245)</u>	<u>(124,245)</u>	<u>(124,245)</u>	
Net change in fund balances	(600,000)	(600,000)	783,541	1,383,541
Fund balances - July 1, 2003	600,000	600,000	919,096	319,096
Fund balances - June 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,702,637</u>	<u>\$ 1,702,637</u>

The notes to the basic financial statements are an integral part of this statement.

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Washington County Consolidated Communications Agency
Notes to the Basic Financial Statements
June 30, 2004

I. Summary of significant accounting policies

A. Reporting entity

Washington County Consolidated Communications Agency (Agency) was formed in 1985, under the authority of Oregon Revised Statutes (ORS) 190 by the execution of an intergovernmental agreement between Washington County, the cities of Beaverton, Hillsboro, Cornelius, and North Plains, and Washington County Rural Fire Protection District No. 2 and Tualatin Valley Fire and Rescue. The Agency has subsequently entered into intergovernmental agreements with the cities of Durham, King City, Sherwood, Tigard, Gaston, Tualatin, Forest Grove and Banks.

The Agency is a municipal corporation that is recognized by the participating governments as the "9-1-1 Jurisdiction" defined in ORS 401.710 to 401.790 for purposes of operating the emergency 9-1-1 telephone system. The Agreement obligates the participating governments to promptly remit emergency telephone system excise tax revenues received from the State of Oregon to the Agency. The Agency provides consolidated public safety communications services for the participating governments and for other governments under contract.

The Agreement also obligates the participating governments to fund any capital and operating expenditures in excess of emergency telephone system excise tax proceeds, contract revenues and other revenues. The Agency may be terminated by mutual agreement of the parties. Any participant may terminate its participation upon notification to all other participants at least one year prior to the fiscal year end. A termination is effective as of the end of the fiscal year. Upon dissolution or termination of the Agency, the assets which the Agency has purchased or taken legal title to are to be distributed or sold and the proceeds distributed to the participating governments in proportion to their financial support averaged over the preceding three years. The equipment on loan from participants is to be returned.

The Agency is the primary, special purpose government responsible for emergency communications within its boundaries. The Agency is not considered a component unit of any of the participating governments. All significant activities and funds of the Agency have been included in the basic financial statements. The Agency's financial statements represent those of a stand-alone government with no component units. The power and authority given to the Agency by the participating governments are vested in a Board of Commissioners made up of appointed officials from the participating governments. The Commission has authority to select a Director who is responsible for conducting the affairs of the Agency.

B. Government-wide and fund financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary *governmental activities* of the Agency. Eliminations have been made to minimize the double counting of internal activities. *Governmental activities* are financed primarily through 9-1-1 taxes and charges for services to other governments.

The statement of activities presents a comparison between direct expenses of the Agency's public safety program and program revenues for its programs. Direct expenses are those that are specifically associated with the public safety function and, therefore, are clearly identifiable to that function.

Washington County Consolidated Communications Agency
Notes to the Basic Financial Statements
June 30, 2004

I. Summary of significant accounting policies, continued

B. Government-wide and fund financial statements, continued

Program revenues include: (1) charges to other governments for emergency communications and services provided and (2) operating grants and contributions. 9-1-1 taxes, investment earnings and other items that are not properly classified as program revenues, are presented as general revenues. Eliminations have been made to minimize the double counting of internal activities in the statement of activities.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

9-1-1 taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue as soon as all eligibility requirements have been met.

The governmental fund financial statements use a flow of current financial resources measurement focus. With this measurement focus, generally only current assets and current liabilities are included in the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The governmental fund types are maintained using the modified accrual basis of accounting whereby revenues are recorded in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures are recorded at the time the related fund liabilities are incurred, except for insurance premiums benefiting more than one fiscal year are recorded when paid.

Revenue is determined to be measurable when the transaction amount is determinable and available when it is collectible within the current fiscal year or soon enough thereafter to pay liabilities of the current fiscal year. The Agency considers revenues available if they are collected within 60 days of year-end with the exception of investment interest, which is recognized when earned. Significant revenues, which are measurable and available under the modified accrual basis of accounting, are user participation fees, 9-1-1 revenues, intergovernmental transfer, and interest.

The Agency reports the following major governmental funds:

- The *General Fund* is the Agency's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund, either legally or by Board direction. The principal revenue source is property taxes. Primary expenditures are for public safety.
- The *System Upgrade Capital Fund*, a capital projects fund type, accounts for the accumulation of resources for construction costs of the existing facility, as well as significant capital outlays for building equipment and furniture. The principal resource is an intergovernmental transfer from Washington County.

Additionally, the Agency reports the following fund types:

- *Special Revenue Funds* account for revenue sources that are either legally, or by Agency policy, restricted to expenditure for specific purposes. Funds included in this fund category are Equipment Replacement Fund, Facility Maintenance Fund, and Compensated Absences Fund.

Washington County Consolidated Communications Agency
Notes to the Basic Financial Statements
June 30, 2004

I. Summary of significant accounting policies, continued

C. Measurement focus, basis of accounting, and financial statement presentation, continued

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The Agency adopted the provisions of GASB Statement 34, Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments, as amended by GASB Statement 37, Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments: Omnibus, an Amendment of GASB Statements 21 and 34, for the year ended June 30, 2004. GASB Statement 34, as amended, establishes standards for external financial reporting for all state and local governmental entities which includes a Management's Discussion and Analysis (MD&A) section, a Statement of Net Assets, and a Statement of Activities. The equity portion of the Statement of Net Assets is classified as net assets and can include three components: Invested in capital assets, Restricted net assets, and Unrestricted.

The primary effect of the adoption of Statement 34, as amended, on the Agency's financial statements is the reclassification of net assets and the inclusion of Management's Discussion and Analysis providing an analysis of the organization's overall financial position and results of operations.

The Agency also adopted the provisions of GASB Statement No. 38, Certain Financial Statement Note Disclosures, during the year ended June 30, 2004. This statement added or modified certain note disclosures.

As a result of implementing the above pronouncements, the following restatements to the June 30, 2003 fund equity were made to determine July 1, 2003 beginning net assets:

Fund balances – June 30, 2003	\$ 5,288,200
Capital assets	2,772,248
Accumulated depreciation on capital assets	(213,111)
Accounts receivable	63,059
Compensated absences payable – non-current	<u>(241,609)</u>
Net assets – July 1, 2003	<u>\$ 7,668,787</u>

D. Assets, liabilities, and net assets or equity

1. Cash and cash equivalents

The Agency considers cash on hand, demand deposits and short-term highly liquid investments with a maturity of three months or less, when purchased, to be cash and cash equivalents. Investments maintained in the Oregon State Treasurer's Local Government Investment Pool are carried at cost, which approximates fair value, and are classified as a cash equivalent. Fair value of the investments in the Oregon Local Government Investment Pool are the same as the value of the pool shares.

2. Investments

Investments of the Agency are carried at fair value, which is based upon current market prices. Changes in fair value of the investments are recognized in revenue at the end of each year.

Washington County Consolidated Communications Agency
Notes to the Basic Financial Statements
June 30, 2004

I. Summary of significant accounting policies, continued

D. Assets, liabilities, and equity, continued

3. Receivables

Emergency telephone system excise tax, dispatch service, maintenance and interest receivables, are shown net of an allowance for uncollectible accounts.

4. Capital assets

Capital assets are stated at cost. Donated assets are recorded at their estimated fair market value at the date of donation. The Agency defines capital assets as assets with an initial cost of more than \$5,000. Replacements, which improve or extend the lives of property, are capitalized. Interest incurred during construction is not capitalized on capital assets. Maintenance, repairs and equipment replacements of a routine nature are charged to expenditures as incurred and are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 years
Apparatus	7 years
Furniture, fixtures and equipment	10 years

5. Long-term obligations

In government-wide financial statements, long-term debt is reported as a liability in the statement of net assets. The Agency's only long-term debt is the liability of compensated absences.

6. Liabilities for Compensated Absences

Accumulated accrued compensated absences for vacation and personal leave benefits expected to be liquidated with expendable available resources are recorded as expenditures and a fund liability of the governmental fund that will pay for them. The amount of accumulated vacation and personal leave, including associated payroll taxes and retirement contributions, that is payable from future resources is recorded in the government-wide financial statements. Accumulated sick leave does not vest and is, therefore, recorded when leave is taken.

7. Participation Fees

The Agency charges the participating governments of the Intergovernmental Agreement an amount sufficient to cover budgeted expenditures less anticipated revenues from other sources.

8. Intergovernmental transfer

By ORS law, the Agency is not allowed to incur debt. Washington County, who currently owns the facility, did a local option levy on the Agency's behalf for facility improvements and also for capital equipment and furniture for the facility.

9. Fund Equity

Reservations of fund balances are recorded to indicate that a portion is not available for appropriation as of year-end or to indicate that a portion is legally segregated for a specific future use.

Washington County Consolidated Communications Agency
Notes to the Basic Financial Statements
June 30, 2004

II. Stewardship, compliance, and accountability

A. Budgetary information

The Agency budgets all funds in accordance with the requirements of state law. All funds are budgeted on the modified accrual basis of accounting.

The Board of Commissioners adopts the original budget by resolution prior to the beginning of the Agency's fiscal year (July 1 through June 30). The Board resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personal services, materials and services, capital outlay and other expenditures for the fund are the levels of control established by the resolution. The detailed budget document, however, is required to contain more specific detailed information for the above mentioned expenditure categories and management may revise the detailed line item budgets within appropriation categories.

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. A supplemental budget less than 10% of the fund's original budget may be adopted by the Board at a regular Board meeting. A supplemental budget greater than 10% of the fund's original budget requires hearings before the public, publication in the newspaper, and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the Board of Commissioners. The Agency did not have any appropriation transfers and adopted one supplemental budget during the year ended June 30, 2004. Appropriations lapse at fiscal year end.

III. Detailed notes on all funds

A. Cash, cash equivalents and investments

The Agency maintains separate accountability by fund for cash, cash equivalents and investment accounts. Deposits with financial institutions include bank demand deposits. The total carrying amount of deposits at June 30, 2004 was \$242,003. The total bank balance per the bank statements was \$285,567.

Of these deposits, \$100,000 was covered by federal depository insurance, \$185,567 was collateralized by securities held by financial institutions acting as the agents for the Agency in the Agency's name, and the remaining amount was uninsured and uncollateralized.

Oregon Revised Statutes require the depository institution to maintain on deposit with a collateral pool manager securities having a value not less than 25% of the outstanding certificates of participation issued by the pool manager.

States statutes govern the Agency's investment policies. Permissible investments include bankers acceptances, repurchase agreements, obligations of the United States, its agencies and instrumentalities, and the Oregon Local Government Investment Pool, among others. The Agency's investments are categorized as follows for custodial credit risk:

1. Insured or registered or for which securities are held by the Agency or its agent in the Agency's name.
2. Uninsured and unregistered for which the counterparty's trust department or agent in the Agency's name holds the securities.
3. Uninsured and unregistered for which securities are held by the counterparty.

Washington County Consolidated Communications Agency
Notes to the Basic Financial Statements
June 30, 2004

III. Detailed notes on all funds, continued

A. Cash, cash equivalents and investments, continued

Cash, cash equivalents and investments at June 30, 2004 were comprised of the following:

	Custodial Credit Risk Category 3	Total Carrying Amount	Fair Value
Deposits with financial institutions	\$ 242,003	\$ 242,003	\$ 242,003
Total deposits with financial institutions		<u>242,003</u>	<u>242,003</u>
Investment in Oregon Local Government Investment Pool		6,878,757	6,871,878
Petty cash		200	200
Total cash, cash equivalents and investments		<u>\$ 7,120,960</u>	<u>\$ 7,114,081</u>

Cash, cash equivalents and investments at June 30, 2004 were comprised of the following:

	Governmental Activities	Total
Cash and cash equivalents	\$ 7,120,960	\$ 7,120,960
Total cash, cash equivalents and investments	<u>\$ 7,120,960</u>	<u>\$ 7,120,960</u>

The State of Oregon Treasurer's Local Government Short-Term Investment Pool (LGIP) is subject to regulatory oversight by the Oregon Secretary of State and is not required to be categorized by risk. Cost of pool shares approximates the Agency's fair value position in the LGIP.

The Oregon State Treasury administers the LGIP. It is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the state that by law is made the custodian of, or had control of, any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP.

Washington County Consolidated Communications Agency
Notes to the Basic Financial Statements
June 30, 2004

III. Detailed Notes on all Funds and Account Groups, Continued:

B. Capital Assets

Activity in the General Fixed Assets Account Group for the Agency for the year ended June 30, 2004, was as follows:

	Balance July 1, 2003 (as restated)	Increases	Decreases	Balance June 30, 2004
Governmental activities:				
Capital assets, not being depreciated:				
Construction in progress		\$ 2,582,591		\$ 2,582,591
Total capital assets, not being depreciated		2,582,591		2,582,591
Capital assets, being depreciated:				
Buildings and improvements	\$ 903,601			903,601
Vehicles	86,664			86,664
Furniture, fixtures and equipment	1,781,983	98,583		1,880,566
Total capital assets, being depreciated	2,772,248	98,583		2,870,831
Less accumulated depreciation for:				
Buildings and improvements		(60,240)		(60,240)
Vehicles	(70,155)	(3,195)		(73,350)
Furniture, fixtures and equipment	(142,956)	(181,720)		(324,676)
Total accumulated depreciation	(213,111)	(245,155)		(458,266)
 Total capital assets being depreciated, net	 2,559,137	 (146,572)		 2,412,565
 Total capital assets, net	 \$ 2,559,137	 \$ 2,436,019		 \$ 4,995,156

The Agency implemented a change in its capitalization limit to \$5,000 for fixed assets during fiscal year 2003. The change for assets recorded in prior years is depicted above.

The General Fixed Assets Account Group does not include items provided by the participating governments that are currently being used by the Agency, but to which the Agency has not taken legal title under the terms of the Intergovernmental Agreement.

C. Interfund receivables, payables, and transfers

An interfund receivable of \$167,766 was recorded in the General fund, \$149,193 payable from the System Upgrade Fund and \$18,573 payable from non-major governmental funds. The majority of these payables are for reimbursement of site development at the 9-1-1 center.

Interfund transfers for the year ended June 30, 2004 are as follows:

Transfers out	Transfers in	
	System Upgrade Fund	Total
General fund	\$ 124,245	\$ 124,245

Washington County Consolidated Communications Agency
Notes to the Basic Financial Statements
June 30, 2004

III. Detailed notes on all funds, continued

C. Interfund receivables, payables, and transfers, continued

The Agency made transfers from the General Fund to the System Upgrade Fund to fund upgrades at the 9-1-1 center.

D. Long-term obligations

Compensated absences activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Governmental activities:					
Compensated absences	\$ 269,347	\$ 486,977	\$ (467,378)	\$ 288,946	\$ 48,856

Due to the current financial resources focus of the governmental funds, only the current portion of the accrued compensated absences expected to be liquidated within 60 days of year end is recorded on the balance sheet. The entire balance, generally utilized within one year, is reported on the Statement of Net Assets. Also, for the governmental activities, compensated absences are generally liquidated by the General Fund.

IV. Other information

A. Risk management

The Agency is exposed to various risks of loss related to torts, theft or damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Agency, through its General Fund, purchases commercial insurance. Deductibles are generally at \$2,500 or less with the exception of natural disasters which have different deductibles. Settled claims have not exceeded commercial coverage in any fiscal year.

B. Commitments and contingencies

WCCCA has remaining commitments for microwave and radio site construction contracts of approximately \$4,428,145 as of June 30, 2004.

C. Deferred compensation plan

The Agency offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Agency employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, are held in trust by the plan administrator for the sole benefit of the participants. The amount deferred since the inception of the plan and interest earnings thereon totaled \$845,987 at June 30, 2004.

Washington County Consolidated Communications Agency
Notes to the Basic Financial Statements
June 30, 2004

IV. Other information, continued

D. Employee retirement systems and pension plans

Oregon Public Employees Retirement System (PERS) and Oregon Public Service Retirement Plan (OPSRP)

The Oregon Public Employees Retirement Systems (PERS or "the System") provides a statewide defined benefit retirement plan for units of state government, political subdivisions, community colleges, and school districts. For state agencies, community colleges, school districts, and political subdivisions who have joined the State and Local Government Rate Pool, PERS is a cost-sharing, multiple-employer system. It is an agent multiple-employer system for political subdivisions who have not elected to join the State and Local Government Rate Pool.

On August 29, 2003, the Oregon Governor signed into law House Bill 2020 which created a new Oregon Public Service Retirement Plan (OPSRP) beginning January 1, 2004. The plan includes two components, the pension program and an individual account program. Assets of these accounts are held separately from PERS ORS 238 assets. Beginning on January 1, 2004, the law directed that the Agency begin remitting the employee's 6% contribution formerly made to the PERS ORS 238 system to the new OPSRP individual account program. The plan is administered by the PERS board under ORS 238A and contributions for PERS and OPSRP are made to PERS. The OPSRP system is also an agent multiple-employer system for all governments.

The Plan offers retirement and disability benefits, post employment healthcare benefits, annual cost of living increases, and death benefits to Plan members and beneficiaries. Benefits differ depending upon employee entry date. PERS and OPSRP established by state statutes to provide benefits for state and local governments and their employees. PERS is administered under Oregon Revised Statute Chapter 238. The authority to establish and amend the benefit provisions of the plan rests with the Oregon Legislature. ORS Chapter 238.620 and 238A.005(3) establishes the Public Employees Retirement Board as the governing body of PERS and OPSRP. The Board has the authority under state statutes to amend the Plan's benefits and contribution rates. PERS issues publicly available financial reports that include financial statements and required supplementary information. The reports can be obtained from the Oregon Public Employees Retirement System, PO Box 23700, Tigard, Oregon 97281-3700 or by calling 1-503-598-7377.

The required employee contribution of 6% of covered payroll or \$227,380, was contributed by the employees as a result of the collective bargaining agreement. Prior to December 31, 2003, the employee's 6% contribution was made to the PERS ORS 238 system. Effective January 1, 2004, this same 6% contribution was required to be made to the Individual Account Program for all eligible employees under the ORS 238A OPSRP system. For 2004, the Agency's annual pension cost of approximately \$369,272 was equal to the required and actual contributions. The Agency is required by ORS 238.225 to contribute at an actuarially determined rate. The employer rate for 2003-04 was 9.05% of salary covered under the 238 PERS plan. For OPSRP employees, the Agency is required to remit contributions based on the employee class which is 8.04% for general service employees. The required contribution was determined as part of the December 31, 2001 actuarial valuation using the entry age cost method.

The actuarial assumptions included (a) 8.0% investment rate of return, (b) projected salary increases of 4.25% with additional increases for promotion and longevity that vary by age and service, (c) post retirement cost of living increases of 2% per year, and (d) certain demographic assumptions. The underlying long-term assumed rate of inflation is 3.50% per year.

Washington County Consolidated Communications Agency
Notes to the Basic Financial Statements
June 30, 2004

IV. Other information, continued

D. Employee retirement systems and pension plans

Oregon Public Employees Retirement System (PERS) and Oregon Public Service Retirement Plan (OPSRP), continued

The actuarial value of PERS assets are valued at the fair market value. The unfunded actuarial liability is amortized on a level percentage of covered payroll on a closed fixed term method basis over a 26-year period through December 31, 2027.

Three Year Trend Information

Year Ended June 30.	Annual Pension Cost (APC)	APC Contributed	Net Pension Obligation
2004	\$ 369,272	100%	
2003	425,646	100%	
2002	390,417	100%	

Two major changes in the employer contributions area occurred since the 1999 and the 2001 actuarial evaluation. The state legislature allowed local governments the opportunity to join a larger risk pool by electing to participate in a Local Government Rate Pool (LGRP) as of January 1, 2000. The legislature further expanded this opportunity by creating a State and Local Government Rate Pool (SLGRP) effective January 1, 2002. The Agency elected to join these risk pools. The impact of both of these pools is reflected in the Agency's individual contribution rate determined in the 2001 actuarial evaluation but not made effective until fiscal year 2004. In addition, due to the election by the Agency to join these pools beginning with the 2001 evaluation, individual entity data on the actuarial value of assets, and the actuarial accrued liability is unavailable. The actuarial valuation for the plan as of December 31, 2003, has not been completed and accordingly, information is not yet available for disclosure.

E. Subsequent events

On August 29, 2003, the Oregon Governor signed into law House Bill 2020 which created a new Oregon Public Service Retirement Plan (OPSRP) beginning January 1, 2004. The plan includes two components, the pension program and an individual account program. Assets of these accounts will be held separate from PERS ORS 238 assets. The law directs that the District begin remitting the employee's 6% contribution formerly made to the PERS system to the new OPSRP individual account program. In addition, House Bill 2003, effective July 1, 2004 and House Bill 2001, effective January 1, 2004, among others, made several significant reforms and revisions to the PERS plan administration and benefits. The effect of these revisions is not yet determined individually for the District.

F. Debt Restriction

When WCCCA was created, it was prohibited from incurring debt. In fiscal year 2000-2001, WCCCA entered into an intergovernmental agreement with Washington County in order to purchase equipment. This agreement stated that the County would issue bonds on behalf of WCCCA, and that the County would use monies from the November, 2000 community safety local option levy to pay for the debt service requirements and additional monies would be used for continued capital equipment and improvements. The equipment is the property of WCCCA. The proceeds from this levy are the intergovernmental transfer in the System Upgrade Fund.

Washington County Consolidated Communications Agency
Notes to the Basic Financial Statements
June 30, 2004

IV. Other information, continued

G. Related party transactions

The Agency is dependent on participating governments, which are all Oregon municipal corporations, for most of its revenues. The Agency also is involved in various transactions for goods and services provided by some of these participating governments. These transactions are summarized as follows:

<i>Revenues</i>					
<i>Participants</i>	<i>Fees</i>	<i>Taxes</i>	<i>Contracts</i>	<i>Maintenance</i>	<i>Totals</i>
Washington County	\$ 1,174,841	\$ 915,934		\$ 19,212	\$ 2,109,987
Tualatin Valley Fire and Rescue	943,525			18,910	962,435
City of Hillsboro	895,246	359,911		11,440	1,266,597
City of Beaverton	659,664	370,200		9,695	1,039,559
City of Tigard	348,662	209,813		8,124	566,599
City of Forest Grove	195,362	64,447		3,683	263,492
City of Tualatin	190,783	114,946		3,085	308,814
City of Sherwood	100,947	65,186		2,266	168,399
City of Cornelius	92,694	47,250		2,391	142,335
Washington Co. Fire District #2	45,110			348	45,458
City of Banks	25,845	4,881		1,213	31,939
City of Gaston	18,409	2,097		1,012	21,518
City of King City	14,898	9,967		228	25,093
City of Durham	9,512	6,587			16,099
City of North Plains	8,973	7,825		1,535	18,333
Clean Water Services	35,979			848	36,827
Clackamas County Fire District #1	7,328			6,079	13,407
Clackamas County 800 Radio Group			\$ 282,122	25,279	307,401
Clackamas County				8,414	8,414
Lake Oswego				7,801	7,801
Miscellaneous	62,476			16,676	79,152
	<u>\$ 4,830,254</u>	<u>\$ 2,179,044</u>	<u>\$ 282,122</u>	<u>\$ 148,239</u>	<u>\$ 7,439,659</u>

Expenditures

During the year ended June 30, 2004, the Agency paid Tualatin Valley Fire & Rescue, a rural fire protection district, \$43,281 for accounting services, \$167,826 for a loaned employee arrangement, and \$2,898 for vehicle maintenance services.

The Agency has a lease agreement with Washington County for the central dispatch facility. The lease requires payment of one dollar per year and expires on October 1, 2006 with automatic 5-year extensions.

An Intergovernmental Agreement was revised to allow Clackamas County public safety users access to the new WCCCA site located in Tigard. In exchange for this access, Clackamas County has donated approximately \$73,000 in equipment and has agreed to pay 50% of the on-going operating costs of the site. Interoperability between all metropolitan counties has also been enhanced.

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Required Supplementary Information

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**Washington County Consolidated Communications Agency
 Required Supplementary Information
 Schedule of Funding Progress
 Oregon Public Employees Retirement System (PERS)
 June 30, 2004**

Actuarial Date December 31,	AVA ⁽¹⁾	AAL ⁽²⁾	UAAL ⁽³⁾	Percent Funded	Covered Payroll	Percentage of Covered Payroll
2001 ⁽⁴⁾	\$ 19,718,175,222	\$22,385,012,144	\$2,666,836,922	88%	\$3,109,091,049	86%
1999	7,200,894	7,639,705	438,811	94%	3,130,737	14%
1997	4,970,832	5,969,082	998,250	83%	2,581,933	39%

⁽¹⁾ Actuarial Value of Assets

⁽²⁾ Actuarial Accrued Liability

⁽³⁾ Unfunded Actuarial Accrued Liability

⁽⁴⁾ Information shown is for the entire State and Local Government Risk Pool in which the Agency participates

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Supplemental Information

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Major Governmental Fund

Capital Projects Fund

System Upgrade Capital Fund – accounts for capital improvements and equipment purchases made for the radio system for the Agency.

Nonmajor Governmental Funds

Special Revenue Funds

These funds account for the accumulation of resources for particular activities or functions from designated sources. Funds included in this fund category are:

Equipment Replacement Fund - accounts for the accumulation of resources for computers, office and other equipment not directly part of the radio system.

Facility Maintenance Fund - accounts for the accumulation of resources for capital improvements and emergency repairs to the building.

Compensated Absence Fund - accounts for the accumulation of resources used to offset the Agency's liability for accrued leave.

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**Washington County Consolidated Communications Agency
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004**

	<i>Special Revenue Fund Types</i>			
	Equipment Replacement Fund	Facility Maintenance Fund	Compensated Absence Fund	Total Other Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 483,418	\$ 347,900	\$ 17,818	\$ 849,136
Receivables:				
Accounts receivable	1,396			1,396
Total assets	<u>\$ 484,814</u>	<u>\$ 347,900</u>	<u>\$ 17,818</u>	<u>\$ 850,532</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,396	\$ 3,995		\$ 5,391
Due to other funds		18,573		18,573
Total liabilities	<u>1,396</u>	<u>22,568</u>		<u>23,964</u>
Fund balances:				
Reserved for compensated absences			\$ 17,818	17,818
Unreserved, reported in:				
Special revenue funds	483,418	325,332		808,750
Total fund balances	<u>483,418</u>	<u>325,332</u>	<u>17,818</u>	<u>826,568</u>
Total liabilities and fund balances	<u>\$ 484,814</u>	<u>\$ 347,900</u>	<u>\$ 17,818</u>	<u>\$ 850,532</u>

**Washington County Consolidated Communications Agency
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2004**

	<i>Special Revenue Fund Types</i>			Total Other Governmental Funds
	Equipment Replacement Fund	Facility Maintenance Fund	Compensated Absence Fund	
REVENUES				
Interest	\$ 6,325	\$ 4,456	\$ 227	11,008
Total revenues	<u>6,325</u>	<u>4,456</u>	<u>227</u>	<u>11,008</u>
EXPENDITURES				
Current				
Public safety		32,840		32,840
Capital outlay	19,345			19,345
Total expenditures	<u>19,345</u>	<u>32,840</u>		<u>52,185</u>
Excess (deficiency) of revenues over (under) expenditures and net change in fund balances	(13,020)	(28,384)	227	(41,177)
Fund balances - July 1, 2003	496,438	353,716	17,591	867,745
Fund balances - June 30, 2004	<u>\$ 483,418</u>	<u>\$ 325,332</u>	<u>\$ 17,818</u>	<u>\$ 826,568</u>

**Washington County Consolidated Communications Agency
System Upgrade Capital Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Interest	\$ 55,000	\$ 55,791	\$ 791
Miscellaneous		16,685	16,685
Total revenues	<u>55,000</u>	<u>72,476</u>	<u>17,476</u>
EXPENDITURES			
Current			
Public safety	120,000	54,868	65,132
Capital outlay	5,500,000	2,750,120	2,749,880
Operating contingency	100,000		100,000
Total expenditures	<u>5,720,000</u>	<u>2,804,988</u>	<u>2,915,012</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,665,000)</u>	<u>(2,732,512)</u>	<u>2,932,488</u>
OTHER FINANCING SOURCES			
Transfers in	124,245	124,245	
Proceeds from Levy	1,510,264	1,510,264	
Total other financing sources	<u>1,634,509</u>	<u>1,634,509</u>	
Net change in fund balances	(4,030,491)	(1,098,003)	2,932,488
Fund balances - July 1, 2003	<u>4,810,186</u>	<u>3,501,359</u>	<u>(1,308,827)</u>
Fund balances - June 30, 2004	<u>\$ 779,695</u>	<u>\$ 2,403,356</u>	<u>\$ 1,623,661</u>

**Washington County Consolidated Communications Agency
Equipment Replacement Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Interest	\$ 9,000	\$ 6,325	\$ (2,675)
Total revenues	<u>9,000</u>	<u>6,325</u>	<u>(2,675)</u>
EXPENDITURES			
Capital outlay	100,000	19,345	80,655
Total expenditures	<u>100,000</u>	<u>19,345</u>	<u>80,655</u>
Excess (deficiency) of revenues over (under) expenditures and net change in fund balances	(91,000)	(13,020)	77,980
Fund balances - July 1, 2003	<u>343,329</u>	<u>496,438</u>	<u>153,109</u>
Fund balances - June 30, 2004	<u>\$ 252,329</u>	<u>\$ 483,418</u>	<u>\$ 231,089</u>

**Washington County Consolidated Communications Agency
 Facility Maintenance Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2004**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Interest	\$ 6,500	\$ 4,456	\$ (2,044)
Total revenues	<u>6,500</u>	<u>4,456</u>	<u>(2,044)</u>
EXPENDITURES			
Current			
Public safety	50,000	32,840	17,160
Total expenditures	<u>50,000</u>	<u>32,840</u>	<u>17,160</u>
Excess (deficiency) of revenues over (under) expenditures and net change in fund balances	(43,500)	(28,384)	15,116
Fund balances - July 1, 2003	277,143	353,716	76,573
Fund balances - June 30, 2004	<u>\$ 233,643</u>	<u>\$ 325,332</u>	<u>\$ 91,689</u>

**Washington County Consolidated Communications Agency
Compensated Absence Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Interest	\$ 400	\$ 227	\$ (173)
Total revenues	<u>400</u>	<u>227</u>	<u>(173)</u>
EXPENDITURES			
Current			
Public safety	10,000		10,000
Total expenditures	<u>10,000</u>		<u>10,000</u>
Excess (deficiency) of revenues over (under) expenditures and net change in fund balances	(9,600)	227	9,827
Fund balances - July 1, 2003	13,900	17,591	3,691
Fund balances - June 30, 2004	<u>\$ 4,300</u>	<u>\$ 17,818</u>	<u>\$ 13,518</u>

Other Financial Schedule

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Washington County Consolidated Communications Agency
Participation Fees by Agency
Last Ten Fiscal Years

Fiscal Year	Total	Washington County	Tualatin Valley Fire and Rescue	City of Milwaukie	City of Beaverton	City of Tigard	City of Forest Grove	City of Tualatin	City of Sherwood	City of Cornelius	Washington County Fire District #2	Tri-Cities Rural Fire District	City of Gaston	City of King City	City of Durham	City of North Plains	Other
2004	\$ 4,830,254	\$ 1,174,841	\$ 943,525	\$ 895,246	\$ 659,664	\$ 348,662	\$ 195,362	\$ 190,783	\$ 100,947	\$ 92,694	\$ 45,110	\$ 25,845	\$ 18,409	\$ 14,898	\$ 9,512	\$ 8,973	\$ 105,783
2003	4,327,296	1,046,821	915,288	782,835	582,664	296,934	169,488	161,920	85,078	79,098	45,002	25,097	17,873	14,464	9,235	8,712	86,787
2002	4,066,256	1,075,614	863,767	664,466	574,426	280,674	81,434	152,779	72,453	89,407	46,121	24,367	18,518	15,840	10,405	12,127	83,858
2001	3,842,686	1,015,361	827,617	624,093	497,391	262,990	77,345	149,473	67,313	86,857	44,778	19,123	18,599	15,643	10,267	12,646	113,190
2000	3,787,702	1,003,723	828,826	602,592	535,773	266,639	77,444	146,485	59,538	87,089	47,186	18,651	17,945	16,197	10,750	12,639	56,225
1999	3,144,549	804,560	696,184	488,016	451,911	224,940	68,076	124,296	41,684	80,386	41,126	16,221	16,773	14,114	9,172	14,220	52,870
1998	2,997,598	767,752	675,442	473,280	411,039	224,776	65,758	118,847	34,679	83,027	42,197	19,124	18,521	14,627	8,975	10,130	29,424
1997	3,281,960	874,714	733,063	512,007	428,805	251,358	72,988	128,653	35,722	87,478	47,973	23,460	20,883	17,096	8,666	11,325	27,769
1996	2,955,489	791,562	509,846	461,089	553,798	228,620	63,667	118,666	29,632	81,585	44,941	21,114	19,791	15,885	5,276	10,017	
1995	2,926,499	786,322	497,661	460,384	555,677	227,416	61,607	117,616	27,207	81,667	40,504	18,375	17,804	15,653	5,606	9,270	3,730

Source: The Agency's general purpose financial statements, current and prior.

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Statistical Section

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Washington County Consolidated Communications Agency
General Governmental Expenditures by Function
Last Ten Fiscal Years

Fiscal Year	Public Safety	Capital Outlay	Debt Service	Total
2004	\$ 6,705,450	\$ 2,938,057		\$ 9,643,507
2003	6,724,625	1,303,052		8,027,677
2002	6,301,812	2,254,306		8,556,118
2001	5,750,157	47,712	\$ 216,722	6,014,591
2000	5,147,313	135,079		5,282,392
1999	4,715,277	37,467		4,752,744
1998	4,397,972	3,569		4,401,541
1997	4,149,451	116,433		4,265,884
1996	4,002,391	60,225		4,062,616
1995	3,703,890	979	1,593	3,706,462

Source: The Agency's general purpose financial statements, current and prior years.

Washington County Consolidated Communications Agency
General Governmental Revenues by Source
Last Ten Fiscal Years

Fiscal Year	Charges for Services	Taxes	Intergovernmental Transfer	Interest	Miscellaneous	Total
2004	\$ 5,328,466	\$ 2,179,044	\$ 1,510,264	\$ 80,683	\$ 189,411	\$ 9,287,868
2003	4,623,819	1,652,637	2,867,505	98,034	108,597	9,350,592
2002	4,154,798	1,908,515		107,768	68,555	6,239,636
2001	3,914,882	1,786,683		129,769	74,950	5,906,284
2000	3,882,996	1,542,545		101,227	201,176	5,727,944
1999	3,252,977	1,544,370		81,969	75,727	4,955,043
1998	3,066,370	1,241,213		87,706	56,135	4,451,424
1997	3,339,958	1,240,747		73,046	37,062	4,690,813
1996	2,994,654	1,038,206		54,629	31,583	4,119,072
1995	2,959,635	1,045,808		41,610	13,843	4,060,896

Source: The Agency's general purpose financial statements, current and prior years.

Washington County Consolidated Communications Agency
General Governmental Tax Revenues by Source
Last Ten Fiscal Years

Fiscal Year	9-1-1 Telephone Excise Taxes - Total Taxes
2004	\$ 2,179,044
2003	1,652,637
2002	1,908,515
2001	1,786,683
2000	1,542,545
1999	1,544,370
1998	1,241,213
1997	1,240,747
1996	1,038,206
1995	1,045,808 ⁽¹⁾

Note ⁽¹⁾: Includes \$21,914 late payment from the previous fiscal year.

Source: The Agency's general purpose financial statements, current and prior years.

Washington County Consolidated Communications Agency
Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	Population⁽¹⁾	Per Capita Income⁽²⁾	School Enrollment⁽³⁾	Unemployment Rate⁽²⁾
2004	472,600	N/A	50,822	N/A
2003	472,015	N/A	50,906	N/A
2002	455,800	N/A	47,985	N/A
2001	449,250	N/A	48,040	5.3%
2000	404,750	N/A	45,776	4.1
1999	431,300	N/A	45,320	4.2
1998	431,000	N/A	43,604	4.2
1997	430,225	N/A	43,170	3.9
1996	397,725	N/A	42,838	3.2
1995	395,827	\$23,504	40,155	3.9

Note: The information regarding the median age and education level of the Agency's population is not available.

N/A Information unavailable at time of printing.

Sources:

- ⁽¹⁾ *Estimates based on information provided by Portland State University, Population Research and Census Center*
- ⁽²⁾ *State of Oregon Employment Division, Economic Analysis*
- ⁽³⁾ *Beaverton School District No. 48, Washington County School District Nos. 23J and 88*

Washington County Consolidated Communications Agency

Insurance in Force

June 30, 2004

Company	Policy No.	Amount of Insurance	Coverage	Policy Term	Premium	Unearned Premium 6/30/2004
City County Insurance Services	03LWCC	\$2,000,000	General liability and auto liability; auto physical damage (collision \$500 ded/comp - \$100)	07/01/03-06/30/04	\$19,072	
City County Insurance Services Workers' Compensation Group	03WWCC	Statutory	Workers' compensation/Employers liability	07/01/03-06/30/04	\$37,394	
City County Insurance Services	03BWCC	\$11,623,019	Boiler and machinery; combined limit per accident, applicable to direct damage to covered property, \$1,000 property damage deductible	07/01/03-06/30/04	\$1,027	
City County Insurance Services	03PWCC	\$11,623,019	Building and structures, business personal property, deductible \$1,000 replacement cost	07/01/03-06/30/04	\$21,908	
		\$10,000,000	Earthquake, 2% of combined values of units damaged, \$5,000 minimum, \$50,000 maximum			
		\$10,000,000	Flood, 2% of combined values of units			
		\$50,000	damaged, \$5,000 minimum, \$50,000 maximum			
			Crime, direct losses \$1,000 deductible			
City County Insurance Services	03APDWCC	AVC	Auto physical damage	07/01/03-06/30/04	\$1,112	
Harford Fire Insurance Co.	52BPEAH2197	\$100,000	Employee dishonesty, deductible \$2,500	12/20/03-12/20/04	\$351	\$166
Commerce & Industry Insurance	8089097	\$1,000,000	Pollution	01/09/04-01/09/05	\$545	\$273

Washington County Consolidated Communications Agency
Miscellaneous Statistics
June 30, 2004

Date of Formation July 1, 1985

Intergovernmental Agreement
 updated with additional participating
 jurisdictions July 1, 1990

Addition of further participating jurisdictions July, 1992

Form of Government ORS 190 Agency

Full-time Employees

	Dispatchers	Operations Supervisors	Computer/ Resource Support	Technical Support	Administration and other
2004	54	5	1	6	7.00
2003	53	5	1	6	7.00
2002	54.5	5	2	5	7.40
2001	45	5	2	4	6.00
2000	48	5	2	4	5.75
1999	50	4	2	4	4.75
1998	50	5	2	4	4.75
1997	50	4	2	4	4.75
1996	50	4	3	4	5.00
1995	50	4	3	3 *	3.00

Part-time (on-call) dispatch employees 11

* *Technical employees include the employee in Technical Services assigned to the Agency from Tualatin Valley Fire and Rescue under a written agreement.*

Area Served Washington County and portions of Multnomah and Clackamas counties

Population Served by Agency 472,600

Washington County Consolidated Communications Agency
Miscellaneous Statistics, Continued
June 30, 2004

Dispatch Calls

	9-1-1	7 Digit In
2004 *	197,000	255,000
2003	189,510	246,110
2002	177,267	240,762
2001	186,947	250,756
2000	181,229	271,216
1999	182,637	340,692
1998	158,190	406,224
1997	127,863	290,618
1996	176,092	321,167
1995	144,176	349,575

* Estimate only

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**Audit Comments and Disclosures
Required by State Regulations Section**

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

-
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 - (503) 620-2632 • FAX (503) 684-7523

October 26, 2004

2003-2004 AUDITORS' COMMENTS AND DISCLOSURES

Oregon Administrative Rules 165-30-100 through 165-30-295 of the Minimum Standards for Audits of Oregon Municipal Corporations enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in preceding pages of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth as follows.

REPORT ON INTERNAL ACCOUNTING CONTROL

We have audited the basic financial statements of Washington County Consolidated Communications Agency as of and for the year ended June 30, 2004, and have issued our report thereon dated October 26, 2004.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

The management of Washington County Consolidated Communications Agency is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of basic financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the basic financial statements of Washington County Consolidated Communications Agency for the year ended June 30, 2004, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants.

REPORT ON INTERNAL ACCOUNTING CONTROL (CONTINUED)

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of the board, audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

ACCOUNTING RECORDS

The Agency's accounting records are adequate for audit.

BUDGET TRANSACTIONS

Expenditures of the various funds were in accordance with the adopted budget.

2003-2004 AND 2004-2004 BUDGETS

The budgets adopted by the Agency for the current and ensuing fiscal year were examined during the audit. Based on our testing it was determined that budget preparation and adoption procedures followed by the Agency were in compliance with the Oregon Local Budget Law.

COLLATERAL SECURING BANK DEPOSITS

The Agency's deposits appeared to be adequately covered by federal depository insurance or certificates of participation at all times during 2003-2004, based upon our testing. Deposits in the State Local Government Investment Pool are not required to be collateralized.

INVESTMENTS

The Agency's investments for the year ending June 30, 2004, were reviewed and, based upon our testing, appeared to comply with the legal requirements pertaining to the investment of public funds contained in ORS 294.035.

PUBLIC CONTRACTS AND PURCHASING

The Agency's procedures for awarding public contracts were reviewed, and based upon our testing, we found no instances of non-compliance with ORS Chapter 279 during 2003-2004.

INSURANCE AND FIDELITY BONDS

Details concerning insurance and fidelity bond coverage were reviewed during the audit. The coverage provided appears to meet legal requirements. We do not have the professional expertise to state whether the insurance coverage is adequate.

STATUTORY BONDED DEBT LIMITATION

The Agency did not have any bonded debt outstanding during the year ended June 30, 2004.

OUTSTANDING WARRANTS

The Agency did not have any outstanding endorsed warrants at June 30, 2004.

PROGRAMS FUNDED FROM OUTSIDE SOURCES

The Agency had no programs funded from outside sources during the year ended June 30, 2004.

STATE HIGHWAY

The Agency had no programs funded from State Highway funds during the year ended June 30, 2004.

Pauly, Rogers and Co., P.C.
PAULY, ROGERS AND CO., P.C.

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